

Decision **PROPOSED DECISION OF ALJ PARK** (Mailed 7/30/2019)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Own Motion to
Conduct a Comprehensive
Examination of Investor Owned
Electric Utilities' Residential Rate
Structures, the Transition to Time
Varying and Dynamic Rates, and
Other Statutory Obligations.

Rulemaking 12-06-013

DECISION ADDRESSING PHASE 4 ISSUES

TABLE OF CONTENTS

| Title | Page |
|---|------|
| DECISION ADDRESSING PHASE 4 ISSUES | 2 |
| Summary | 2 |
| 1. Factual and Procedural Background..... | 2 |
| 2. PG&E Cost Recovery Proposal | 6 |
| 2.1. Reasonableness of Costs | 6 |
| 2.2. Cost Allocation..... | 7 |
| 2.2.1. Online Rate Comparison Tool..... | 9 |
| 2.2.2. Bill Protection for Opt-In TOU Pilot | 10 |
| 3. CARE Restructuring Proposals..... | 11 |
| 4. Working Group and Reporting Requirements..... | 17 |
| 5. Comments on Proposed Decision | 18 |
| 6. Assignment of Proceeding..... | 20 |
| Findings of Fact..... | 20 |
| Conclusions of Law | 22 |
| ORDER | 23 |

DECISION ADDRESSING PHASE 4 ISSUES

Summary

This decision resolves the issues scoped into Phase 4 of this proceeding including: (1) Pacific Gas and Electric Company's request to recover 2015-2016 costs recorded in its Residential Rate Reform Memorandum Account; (2) proposals for restructuring the California Alternate Rates for Energy program; and (3) issues related to the Working Groups established pursuant to Decision 15-07-001 and reporting requirements for residential rate reform. This proceeding remains open.

1. Factual and Procedural Background

The Commission instituted this rulemaking on June 21, 2012: "to examine current residential electric rate design, including the tier structure in effect for residential customers, the state of time-variant and dynamic pricing, potential pathways from tiers to time-variant and dynamic pricing, and preferable residential rate design to be implemented when statutory restrictions are lifted."¹

In July 2015, the Commission issued Decision (D.) 15-07-001, which adopted several significant residential rate reform measures and set forth steps to transition California's default residential rate structure from tiered, non-time-varying rates to time-of-use (TOU) rates starting in 2019.

¹ Order Instituting Rulemaking (OIR) 12-06-013 at 1.

Among other things, D.15-07-001 ordered the formation of working groups to assist with the implementation of the rate reforms ordered in that decision, including: (1) a TOU Working Group to propose and evaluate the study of residential TOU rates and the design of new TOU pilots to obtain targeted information, and (2) a marketing, education, and outreach (ME&O) Working Group to examine ME&O for residential rate changes generally and how ME&O for rate changes interact with other residential programs.²

D.15-07-001 also ordered each investor-owned utility (IOU) to create a memorandum account to track the costs of: (1) TOU pilots, (2) TOU studies, (3) ME&O costs associated with the rate changes approved in the decision, and (4) other reasonable expenditures as required to implement the decision.³

Pacific Gas and Electric Company (PG&E) sought recovery of its 2015-2016 costs recorded in its Residential Rate Reform Memorandum Account (RRRMA) in its General Rate Case Application (A.) 15-09-001. The decision in that proceeding, D.17-05-013, adopted a revised settlement agreement which specified that PG&E's proposal to recover these costs "will be reviewed via an application or through the existing rulemaking on residential rate reform in a manner subject to the same procedural considerations of a new application."⁴

On July 11, 2018, PG&E filed its proposal to recover 2015-2016 costs recorded in the RRRMA pursuant to D.17-05-013.

² D.15-07-001 at 298-299.

³ D.15-07-001 at 335, Ordering Paragraph (OP) 12.

⁴ D.17-05-013 at 225.

On July 20, 2018, the assigned Administrative Law Judge (ALJ) issued a ruling setting forth a schedule for the filing of protests and responses to PG&E's proposal. On August 10, 2018, protests were timely filed by the Public Advocates Office⁵ and jointly by Marin Clean Energy (MCE), Sonoma Clean Power Authority (SCP), Peninsula Clean Energy Authority (PCE), and Silicon Valley Clean Energy Authority (SCVE) (collectively, "CCA Parties"). PG&E filed its reply on August 20, 2018.

A ruling noticing a prehearing conference (PHC) was issued on September 28, 2018. The ruling directed parties to meet and confer regarding the schedule, scope of issues, and other matters to be addressed at the PHC. Pursuant to this ruling, PG&E filed a PHC statement detailing the results of the meet and confer efforts on October 17, 2018. A PHC was held on October 22, 2018 to discuss the issues of law and fact and determine the need for hearing and schedule for resolving the matter.

The assigned Commissioner issued a scoping memo and ruling for Phase 4 of the proceeding on January 15, 2019 (Phase 4 Scoping Memo). The Phase 4 Scoping Memo determined that the following issues would be considered in Phase 4:

- (1) Whether PG&E's "Proposal to Recover 2015-2016 Costs Recorded in the Residential Rate Reform Memorandum Account" should be approved.
- (2) Whether the Commission should take any action on a proposal to restructure the California Alternate Rates for Energy (CARE) program.
- (3) What continuing role the working groups ordered in D.15-07-001 should have with respect to the

⁵ The Public Advocates Office was formerly known as the Office of Ratepayer Advocates.

implementation of the rate reforms ordered in this proceeding.

- (4) Whether any reporting requirements related to residential rate reform should be modified or eliminated.

A Working Group Status report prepared by the Coordinating ME&O Consultant was filed on February 1, 2019. Comments on the Status Report and Issues 3 and 4 of the Scoping Memo were filed on February 15, 2019 by San Diego Gas & Electric Company (SDG&E), PG&E, and Southern California Edison Company (SCE) (jointly); the Public Advocates Office; and MCE, SCP, the City of Lancaster, PCE, and SVCE (jointly). Reply Comments were filed on February 22, 2019 by the Center for Accessible Technology (CforAT).

A workshop addressing CARE restructuring issues was held on March 29, 2019. A joint status report on the development of CARE restructuring consensus proposals was filed on April 19, 2019 by SCE on behalf of itself, PG&E, SDG&E, CforAT, the Utility Reform Network, East Bay Community Energy (EBCE), SCP, PCE, SVCE, MCE, and the City of Lancaster (April 19, 2019 Status Report).

An evidentiary hearing addressing PG&E's cost recovery proposal was held on April 9, 2019. Opening Briefs on this issue were filed on May 1, 2019 by PG&E, the Public Advocates Office, and the CCA Parties. PG&E timely filed a reply brief on May 15, 2019. The CCA Parties were authorized to late file their reply brief submitted on May 16, 2019.

Phase 4 of this proceeding stands submitted as of May 16, 2019.

2. PG&E Cost Recovery Proposal

2.1. Reasonableness of Costs

PG&E states that it recorded incremental costs of \$20,520,369 and applicable interest in the RRRMA to implement D.15-07-001 in 2015 and 2016.⁶

The following table is a summary of the 2015-2016 costs by initiative:⁷

| <u>Initiative</u> | <u>2015 Recorded Actuals</u> | <u>2016 Recorded Actuals</u> | <u>2015-2016 Recorded Actuals</u> |
|--|---|---|--|
| Opt-in TOU Pilot | \$340,809 | \$5,823,490 | \$6,164,299 |
| Activities Supporting Residential Rate Changes | \$356,784 | \$5,225,986 | \$5,582,770 |
| Program Management Office | | \$993,858 | \$993,858 |
| High Usage Surcharge | | \$859,632 | \$859,632 |
| Rate Comparison Mailers | | \$812,144 | \$812,144 |
| Rate Elimination and Transition | \$114,895 | \$260,855 | \$375,750 |
| Default TOU Pilot | | \$334,948 | \$334,948 |
| Information Technology | \$960,534 | \$4,436,434 | \$5,396,968 |
| Grand Total | \$1,773,021 | \$18,747,347 | \$20,520,369 |

The Public Advocates Office conducted an examination of PG&E's 2015-2016 recorded RRRMA costs and initially recommended that PG&E be authorized to recover \$14.1 million of its requested \$20.5 million. The Public Advocates Office recommended an adjustment of \$6.4 million associated with

⁶ Exh. PGE-401 at 1. The 2015 costs include only August-December costs starting after the establishment of the RRRMA. (Exh. PGE-401, Appendix A at 1.)

⁷ Exh. PGE-401 at 2, Table 1.

straight-time labor costs arguing that these costs were already recovered through rates, and therefore, were not incremental.⁸

PG&E subsequently identified that it had misclassified \$2.1 million of contractor costs as straight-time labor costs.⁹

PG&E and the Public Advocates Office eventually stipulated that \$16.2 million of PG&E's \$20.5 million in requested 2015-2016 RRRMA cost recovery is reasonable and should be approved.¹⁰ This amount adjusts PG&E's original request by \$4.3 million, which represents the costs associated with straight-time labor costs as corrected by PG&E.

The Commission has reviewed the 2015-2016 costs and finds the stipulation of PG&E and the Public Advocates Office to be reasonable. PG&E presented adequate information demonstrating that the \$16.2 million spent in 2015-2016 to implement the rate reforms ordered by D.15-07-001 is reasonable, incremental, and verifiable. Moreover, no party disputes that PG&E should recover this amount. Therefore, the Commission approves recovery of \$16.2 million in RRRMA costs recorded for 2015-2016.

2.2. Cost Allocation

PG&E proposes to recover the 2015-2016 RRRMA costs through distribution rates using the same rate design and results of operation methodologies approved in D.17-05-013 for recovery of Customer Care expenditures.¹¹ PG&E contends that the marketing, education, and outreach

⁸ Exh. Cal Advocates-401.

⁹ Exh. PGE-401 at 1.

¹⁰ Exh. JOINT-401.

¹¹ Specifically, PG&E proposes to transfer the approved costs for 2015-2016 including interest and an allowance for revenue fees and uncollectibles to the Distribution Revenue Adjustment

Footnote continued on next page.

(ME&O) activities mandated for the implementation of the rate design reforms approved in D.15-07-001 are intended to support the needs of all residential electric customers, including both PG&E and community choice aggregator (CCA) customers, and therefore, should be recovered in distribution rates. PG&E argues that all customers benefit from the achievement of California's clean energy and environmental goals that the rate design reforms support.¹²

The CCA Parties argue that the following costs should be allocated through PG&E's generation rates, instead of through distribution rates: (1) costs associated with PG&E's bill protection and (2) costs associated with PG&E's My Rate Options and other bill comparison elements that were not available to or functional for CCA customers during the 2015-2016 time period. The CCA Parties argue that these costs should be allocated to generation rates because PG&E incurred these costs on behalf of PG&E's bundled customers and CCA customers did not receive a fair and equitable share of these benefits. The CCA Parties note that CCAs also incur costs in carrying out residential rate reform activities and that these costs are borne exclusively by CCA customers through generation rates.

As noted by the CCA Parties, PG&E bears the burden of proof with respect to its request.¹³ The Commission is required to ensure that there is no cost-shifting between bundled and unbundled customers and that unbundled customers such as CCA customers do not experience cost increases as a result of

Mechanism (DRAM) for recovery through PG&E's next Annual Electric True-Up proceeding or other appropriate rate change. (Exh. PGE-401 at 38-39.)

¹² PG&E Opening Brief at 5-6.

¹³ CCA Parties Opening Brief at 4-5.

an allocation of costs that were not incurred on their behalf.¹⁴ The Commission has repeatedly affirmed the policy that costs should be allocated to those customers on whose behalf the costs were incurred.¹⁵

2.2.1. Online Rate Comparison Tool

PG&E has failed to present evidence that the costs associated with its online rate comparison tool recorded in the RRRMA during the 2015-2016 period were incurred on behalf of CCA customers. It is undisputed that the rate comparison tool functionality was not available to or functional for CCA customers during this time period.¹⁶ PG&E also did not provide the online rate comparison tool to customers as part of the opt-in TOU pilot.¹⁷

PG&E states that ME&O for rate reform benefits all ratepayers and that all customers benefit from the meeting of clean energy and environmental goals. The Commission has previously found that it is inconsistent with cost causation principles to allocate costs to customers based solely on indirect societal benefits.¹⁸ In this instance, PG&E does not contend that CCA customers received any benefits from the 2015-2016 costs associated with the online rate comparison tool other than indirect societal benefits. PG&E does not provide sufficient detail regarding the tasks related to the rate comparison tool undertaken during this period that would enable the Commission to assess whether CCA customers would have received more direct benefits from these tasks. Consistent with past Commission policy, the Commission does not find it reasonable to allocate these

¹⁴ See, e.g., Pub. Util. Code, §§ 365.2 and 366.3.

¹⁵ See, e.g., D.99-06-058 at 7; D.02-11-022 at 61; D.12-12-004 at 52-53.

¹⁶ Exh. PGE-401 at 13-14; Exh. CCA-402 at 1-2.

¹⁷ Exh. CCA-402 at 2.

¹⁸ D.99-06-058 at 7; D.02-11-022 at 61; D.12-12-004 at 52-53.

costs to CCA customers, and therefore, finds that the 2015-2016 costs recorded in the RRRMA associated with the online rate comparison tool should be allocated to generation rates.

PG&E included activities related to its website and online tools under the category of “Activities Supporting Residential Rate Changes,” which totaled \$5.58 million in costs.¹⁹ However, PG&E did not specify how much of these costs were associated with the online rate comparison tool. As proposed by the CCA Parties, the Commission directs PG&E to file a Tier 2 advice letter within 45 days of the issuance of this decision identifying the 2015-2016 costs recorded in the RRRMA that are authorized for recovery²⁰ and associated with the online rate comparison tool functionalities that were unavailable to CCA customers during the 2015-2016 time period.²¹ These costs shall be recovered from PG&E’s generation rates.

2.2.2. Bill Protection for Opt-In TOU Pilot

With respect to the costs associated with bill protection for the opt-in TOU pilot, the Commission finds it reasonable for these costs to be allocated to distribution rates. The CCA Parties correctly note that for purposes of PG&E’s default TOU pilot, the Commission determined that revenue shortfalls associated with bill protection payments should be attributed to the appropriate rate function.²² However, bill protection for the opt-in pilot served a different purpose than for the default pilot or for the full rollout of default TOU.

¹⁹ Exh. PGE-401 at 12-14.

²⁰ As described above, PG&E is not authorized to recover the 2015-2016 costs recorded in the RRRMA associated with straight-time labor.

²¹ These include the “My Rate Options” and the “Find My Best Rate Plan” functionalities on PG&E’s website. (Exh. PGE-401 at 13-14.)

²² Resolution E-4846 at 21.

Although the law requires bill protection to be provided to customers that are defaulted onto a TOU rate, there is no such requirement for customers that opt into a TOU rate.²³ In Resolution E-4762, the Commission directed PG&E to provide bill protection for its opt-in pilot and explained that “bill protection is expressly used in these pilots as an incentive for participant recruitment and retention.”²⁴

PG&E’s witness explained that the purpose of the opt-in pilot “was to inform the default pilot, as well as the full transition, and how customers behave on time-of-use rates, which would be beneficial to all CCAs.”²⁵ Although CCA customers did not participate in the opt-in pilot, the Commission finds that CCA customers benefitted from the opt-in pilot efforts since CCA customers are participating in the default pilot and will also be participating in the full transition to default TOU.²⁶ The CCA Parties do not oppose PG&E’s request that other costs for the opt-in pilot, including incentive payments, be allocated to distribution rates. Given that the Commission previously determined that the purpose of bill protection for the opt-in pilot was as an incentive for recruitment and retention, the Commission does not find cause to treat costs associated with bill protection for the opt-in pilot differently than other opt-in pilot costs.

3. CARE Restructuring Proposals

The Commission opened this rulemaking in 2012 to examine current residential electric rate design. An objective of this inquiry was to ensure that rates were both equitable and affordable. As part of this inquiry, the

²³ Pub. Util. Code, § 745(c)(4).

²⁴ Resolution E-4762 at 34.

²⁵ Reporter’s Transcript, Vol. 30 at 4332:27-4333:5.

²⁶ D.19-07-004 at 144.

Commission sought to examine whether existing CARE methodologies provide for optimal rate protection or whether there were more efficient and equitable means to protect low-income customers.²⁷

On October 7, 2013, Assembly Bill (AB) 327 (Stats. 2013, Ch. 611) was signed into law, addressing many aspects of residential rate design including aspects of the CARE program. Among other things, AB 327 imposed the following requirements with respect to the CARE program:

- The average effective CARE discount for an electrical corporation with 100,000 or more customer shall be between 30-35% “of the revenues that would have been produced for the same billed usage by non-CARE customers.”²⁸
- Any increases to electrical rates, including reductions in the CARE effective discount, “shall be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect prior to January 2014.”²⁹

At the time D.15-07-001 was adopted, both PG&E and SDG&E had effective CARE discounts above the 35% mandated by AB 327. Consistent with AB 327, the Commission approved a CARE discount glide path for both SDG&E and PG&E in order to reduce the discount to 35% by 2020.³⁰ In the proceedings leading up to D.15-07-001, parties had proposed that different structures for CARE be considered such as a discount based on usage or income level. The Commission found these proposals to be outside the scope of the proceeding but

²⁷ OIR 12-06-013 at 20.

²⁸ Pub. Util. Code, § 739.1(c)(1).

²⁹ Pub. Util. Code, § 739.9(b).

³⁰ D.15-07-001 at 236.

directed that the restructuring of the CARE rate under AB 327 be considered during the next phase (Phase 3) of the proceeding.³¹

Since the issuance of D.15-07-001 in 2015, there have been several workshops addressing CARE restructuring. Parties have gathered and evaluated information and data in order to consider possible recommendations for new CARE structures.³² Despite years of effort, no consensus proposals for restructuring the CARE program have emerged.

Under the current structure of the CARE program, the IOUs provide the same line-item percentage discount to all CARE customers within their service territories.³³ Parties generally support retaining the current CARE structure.³⁴ Review of the alternative CARE structures that have been explored to date does not indicate that these structures would provide for a more efficient and equitable means to protect low-income customers compared to the status quo.

There are limitations on any effort to restructure the CARE program due to the statutorily mandated effective level of the discount. Due to the 30-35% statutory limit, any restructuring of the CARE program necessarily involves redistributing the discount among CARE participants, all of whom are low-income customers that have qualified to receive rate assistance. In other words, increasing the discount for a subset of CARE customers necessarily results in reducing the discount for another subset of CARE customers.

³¹ D.15-07-001 at 6.

³² See, e.g., Status reports on CARE restructuring filed in R.12-06-013 on June 6, 2016, October 27, 2016, August 31, 2017, and April 22, 2019.

³³ D.15-07-001 at 237; D.18-12-004 at 85, OPs 10 and 11.

³⁴ April 19, 2019 Status Report at 8.

Based on a proposal by CforAT, parties explored an alternative CARE structure that would provide a greater discount on Tier 1 usage. CforAT's proposal was based on implementing the statutory mandate set forth in Public Utilities Code Section 382(b), which requires the Commission to ensure that "all residents of the state should be able to afford essential electricity and gas supplies."³⁵ The IOUs modeled various scenarios, which increased the discount on Tier 1, thereby resulting in decreased discounts for Tier 2 and the High Usage Charge (HUC).³⁶ Under all of these scenarios, the bills for moderate and high usage customers would increase.³⁷ Increasing the Tier 1 discount also necessarily increases the tier differential, which would result in more bill volatility since month-to-month changes in usage would result in disproportionate changes in customers' bills.³⁸ Therefore, this proposal would result in increased bills and bill volatility for high usage customers, which based on data presented by SCE are the customers that already experience the highest energy burdens under tiered rates.³⁹

SCE also provided modeling of a CARE structure that would provide differing discounts based on income level with a greater discount being provided for customers in a lower income group. Again, due to the statutory limit on the discount, increasing the discount for customers in a lower income group,

³⁵ April 19, 2019 Status Report, Attachment A at A-100.

³⁶ Based on the IOUs' modeling, a 50% discount for Tier 1 would result in a 16.8% discount on Tier 2 and the HUC for PG&E, a 0% discount on Tier 2 and the HUC for SCE, and a 7% surcharge to Tier 2 and HUC usage for SDG&E. (April 19, 2019 Status Report, Attachment A at A-11, A-71, A-87.)

³⁷ April 19, 2019 Status Report at 6.

³⁸ April 19, 2019 Status Report at 6, Attachment A at A-15.

³⁹ April 19, 2019 Status Report, Attachment A at A-60, A-61.

reduced the discount for other CARE participants. For example, SCE's modeling demonstrated that a 50% discount provided to customers that were 0-100% of the Federal Poverty Level (FPL) would result in an approximately 27% discount to other CARE participants between 101-200% FPL.⁴⁰ A 50% discount provided to customers that were 0-150% FPL would result in an approximately 22% discount to the remaining CARE customers between 151-200% FPL.⁴¹

The income-based proposal is not currently supported by SCE or any other party. SCE argues that the proposal would result in a reduced discount for the majority of existing CARE customers, ignores consideration of modified energy burdens (which account for other governmental benefits), and would be operationally challenging to implement.⁴² An income-based structure would require additional income verification, which may be a barrier to participation in the program.⁴³ Other parties also did not find a direct correlation or discernible trend between income levels and energy burdens or disconnections.⁴⁴ Therefore, the record of this proceeding does not support that differing discount levels based solely on income would be more equitable or increase affordability for the customers that experience the highest energy burdens.

Based on the currently available data, the Commission finds that no alternative structure of the CARE program has been proposed that would be a

⁴⁰ April 19, 2019 Status Report, Attachment A at A-76.

⁴¹ April 19, 2019 Status Report, Attachment A at A-76.

⁴² April 19, 2019 Status Report, Attachment A at A-77.

⁴³ SCE notes that the Sacramento Municipal Utility District provides a tiered discount based on income but that participation in the program is much lower (11.6% vs. approximately 90% for CARE) likely due to income verification requirements. (April 19, 2019 Status Report, Attachment A at A-58.)

⁴⁴ April 19, 2019 Status Report, Attachment A at A-62, A-68, A-100-A-101.

more equitable and efficient means of protecting low-income customers compared to the current rate structure. The Commission also notes that the currently available data is based on customers' bills under a tiered rate structure. The IOUs are in the process of transitioning their eligible residential customers to default TOU rates. Data on bill impacts and volatility, energy burdens, and disconnections may differ under TOU rates compared to tiered rates. Given the transition to default residential TOU, the Commission does not find it prudent to make wholesale changes to the CARE program without examination of data under both tiered and TOU rates.

Although the Commission finds that the CARE program should not be restructured at this time, this does not mean that further efforts to assist low-income customers are unnecessary. Parties raised issues such as levels of arrearages, payment arrangements, and disconnections; and the high energy burdens for high usage, low-income customers and customers in specific climate areas. However, parties did not propose how restructuring of the CARE program would help to address these issues.⁴⁵ For example, the Public Advocates Office raised the issue of disconnections and the link between bill volatility and disconnections. The Public Advocates Office identified a potential solution for mitigating bill volatility through the expansion of the utilities' level payment plan programs.⁴⁶ However, expansion of level payment plans is unrelated to restructuring of the CARE program and outside the scope of this proceeding.

⁴⁵ EBCE did find that enrollment in CARE reduces disconnection rates. Disconnection rates for customers enrolled in CARE are at 7% compared to 23% for customers who qualify for CARE but are not enrolled. (April 19, 2019 Status Report, Attachment A at A-30.)

⁴⁶ April 19, 2019 Status Report, Attachment A at A-40, A-47.

The Commission seeks to ensure that essential levels of service are affordable and that customers are not overburdened by monthly energy expenditures. To that end, the Commission is currently examining in other proceedings issues of affordability, disconnections, and what constitutes essential usage of electricity service. To the extent that additional data and information gathered in these and other proceedings indicate that an alternative CARE structure may better address these issues than the current structure, the Commission may revisit the issue of CARE restructuring in the future.

4. Working Group and Reporting Requirements

D.15-07-001 directed that two working groups be formed: a TOU Working Group and an ME&O Working Group. The two working groups were combined in May 2018 and the work of both working groups is now under the purview of the ME&O Working Group.⁴⁷

All of the parties commenting on issues regarding the Working Group are generally supportive of the working group process and support the continued use of the Working Group throughout the full rollout of default TOU. Parties note that it has been an efficient and effective forum, which allows for greater stakeholder engagement and is able to more quickly and nimbly address implementation issues that may arise.

The continued role of the Working Group during the full rollout of default TOU has been addressed in the Commission's decisions authorizing the IOUs' transitions, D.18-12-004 and D.19-07-004. The IOUs were directed to continue to consult and collaborate with the Working Group throughout their transitions. Parties do not raise any new issues with respect to the Working Group in this

⁴⁷ Working Group Status Report at A-3.

proceeding, and therefore, this decision does not make any modifications to the Working Group.

In their comments, Public Advocates and CforAT request that a formal escalation process be adopted for the Working Group. The Commission recently addressed this issue and determined that a formal escalation process was not needed because the Working Group is not intended to be a forum for litigation and does not make binding decisions.⁴⁸ The Commission does not find cause to revisit this recent determination.

With respect to the reporting requirements related to residential rate reform, no party recommends modification to any reporting requirement until the transitions to default TOU are complete. As directed in D.15-07-001, D.18-12-004, and D.19-07-004, the IOUs shall continue to file their quarterly Progress on Residential Rate Reform reports until the IOUs' transitions to default TOU are complete. After an IOU's transition to default TOU is complete, the IOU may file a Tier 2 advice letter requesting to decrease the frequency of the reports.

5. Comments on Proposed Decision

The proposed decision of Administrative Law Judge Park in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on August 19, 2019 by PG&E and CforAT; and reply comments were filed on August 26, 2019 by the CCA Parties and SCE.

⁴⁸ D.19-07-004 at 128-129.

The Commission has carefully reviewed these comments and do not find that the comments raise any factual, legal, or technical errors that would warrant modifications to the proposed decision.

In its comments, PG&E opposes the allocation of 2015-2016 costs associated with PG&E's online rate comparison tool to PG&E's electric generation rates. The CCA Parties, on the other hand, contend that PG&E has failed to identify any errors in the proposed decision with respect to this issue. As discussed above, the Commission finds that PG&E failed to present evidence that demonstrates that the 2015-2016 recorded costs associated with the online rate comparison tool were incurred on behalf of CCA customers or provided direct benefits to CCA customers either during the 2015-2016 time period or a later time period.

CforAT does not oppose the proposed decision's conclusion that no changes to the structure of the CARE program should be adopted at this time. However, CforAT contends that the proposed decision did not accurately reflect CforAT's arguments for a proposed alternative CARE structure that would provide a greater discount on Tier 1 usage and a reduced discount for Tier 2 and the high usage surcharge. CforAT argues that its proposed alternative structure would better serve the specific affordability requirements set out by statute, which provide that low-income customers should be able to afford essential supplies of electricity. CforAT's clarification regarding its position is noted.

CforAT also recommends that the Commission set a time certain for the issue of CARE restructuring to be reconsidered in the future. This recommendation is opposed by SCE. The Commission declines to set a deadline for reconsidering the issue of CARE restructuring at this time. The Commission will continue to monitor the CARE program and the impacts of various rate

changes on CARE customers. Parties may continue to raise concerns regarding the CARE program for the Commission's review in relevant proceedings.

Although the Commission does not find that any modifications to the proposed decision are warranted based on comments, editorial changes have been made to the proposed decision to improve its clarity and correct minor errors.

6. Assignment of Proceeding

Marybel Batjer is the assigned Commissioner and Sophia J. Park and Patrick Doherty are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. PG&E recorded \$20,520,369 in the RRRMA in 2015 and 2016 to implement the rate reforms ordered by D.15-07-001.

2. PG&E and the Public Advocates Office stipulated that \$16.2 million of PG&E's 2015-2016 recorded costs in the RRRMA are reasonable and should be approved.

3. The amount stipulated to by PG&E and the Public Advocates Office adjusts PG&E's original request by \$4.3 million, which represents the costs associated with straight-time labor costs as corrected by PG&E.

4. PG&E presented adequate evidence demonstrating that \$16.2 million spent in 2015-2016 to implement the rate reforms ordered by D.15-07-001 is reasonable, incremental, and verifiable.

5. PG&E failed to present evidence that any costs associated with its online rate comparison tool recorded in the RRRMA during the 2015-2016 period were incurred on behalf of CCA customers.

6. It is undisputed that PG&E's online rate comparison tool was not available to or functional for CCA customers during the 2015-2016 time period.

7. PG&E did not provide its online rate comparison tool to customers as part of the opt-in TOU pilot.

8. The only benefits identified by PG&E that CCA customers received from the 2015-2015 costs associated with the online rate comparison tool are indirect societal benefits.

9. It is not reasonable to allocate the 2015-2016 costs associated with the online rate comparison tool to CCA customers.

10. Bill protection for the opt-in TOU pilot serves a different purpose than for the default pilot or for the full rollout of default TOU.

11. The purpose of bill protection for the opt-in TOU pilot was to be an incentive for participant recruitment and retention.

12. There is no reason to treat costs associated with bill protection for the opt-in TOU pilot differently than other opt-in TOU pilot costs.

13. It is reasonable to allocate the 2015-2016 costs associated with bill protection for the opt-in TOU pilot to all customers through distribution rates.

14. Although CCA customers did not participate in the opt-in TOU pilot, CCA customers benefitted from the opt-in pilot efforts since they are participating in the default TOU pilot and will be participating in the full transition to default TOU.

15. Despite years of effort, no consensus proposals for restructuring the CARE program have emerged.

16. Due to the statutory limit on the effective level of the CARE discount, any restructuring of the CARE program necessarily involves redistributing the discount among CARE participants, all of whom are low-income customers that have qualified to receive rate assistance.

17. Review of the alternative CARE structures that have been explored to date does not indicate that these structures would provide for a more efficient and equitable means to protect low-income customers compared to the status quo.

18. The currently available data regarding the CARE program is based on customers' bills under a tiered rate structure.

19. It is not prudent to make wholesale changes to the CARE program while the IOUs are in the process of transitioning their eligible residential customers to default TOU rates.

20. The continued role of the ME&O Working Group during the full rollout of default TOU has been addressed in the Commission's decisions authorizing the IOUs' transitions, D.18-12-004 and D.19-07-004.

21. Parties do not raise any new issues with respect to the ME&O Working Group in this proceeding.

22. No party recommends modification to any reporting requirement related to residential rate reform until the IOUs' transitions to default TOU are complete.

Conclusions of Law

1. PG&E bears the burden of proof with respect to its cost recovery request.
2. PG&E should be authorized to recover \$16.2 million in RRRMA costs recorded for 2015-2016.
3. The Commission is required to ensure that there is no unlawful cost-shifting between bundled and unbundled customers.
4. Costs should be allocated to those customers on whose behalf the costs were incurred.
5. It is inconsistent with cost causation principles to allocate costs to customers based solely on indirect societal benefits.

6. The 2015-2016 costs recorded in the RRRMA associated with the online rate comparison tool functionalities that were unavailable to CCA customers during the 2015-2016 time period should be recovered from PG&E's generation rates.

7. There is no legal requirement for an IOU to provide bill protection for customers that opt into a TOU rate.

8. With the exception of costs associated with the online rate comparison tool functionalities that were unavailable to CCA customers during the 2015-2016 time period, the 2015-2016 RRRMA costs authorized for recovery, including the costs associated with bill protection for the opt-in TOU pilot, should be recovered from PG&E's distribution rates.

9. Pursuant to Public Utilities Code Section 739.1(c)(1), the average effective CARE discount for an electrical corporation with 100,000 or more customers must be between 30-35%.

10. No alternative CARE structure should be adopted at this time.

11. Modifications to the ME&O Working Group are unnecessary at this time.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to recover \$16.2 million in costs recorded in the Residential Rate Reform Memorandum Account (RRRMA) in 2015 and 2016. With the exception of costs associated with the online rate comparison tool functionalities that were unavailable to community choice aggregator customers during the 2015-2016 time period, the approved costs shall be recovered through distribution rates using the same rate

design and results of operation methodologies approved in Decision 17-05-013 for recovery of Customer Care expenditures.

2. Within 45 days of the issuance of this decision, Pacific Gas and Electric Company (PG&E) shall file a Tier 2 advice letter identifying the 2015-2016 costs recorded in the Residential Rate Reform Memorandum Account that are authorized for recovery in this decision and associated with the online rate comparison tool functionalities that were unavailable to community choice aggregator customers during the 2015-2016 time period. These costs shall be recovered through PG&E's generation rates.

3. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall continue to file Progress on Residential Rate Reform reports on a quarterly basis. Once PG&E, SCE, or SDG&E have completed transitioning their eligible residential customers onto default time-of-use rates, PG&E, SCE, or SDG&E may file a Tier 2 advice letter requesting to decrease the frequency of the report.

4. Rulemaking 12-06-013 remains open.

This order is effective today.

Dated _____, at Los Angeles, California